



FEDERAL BUDGET 2026/27

Tax and Superannuation Report
12 May 2026



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Tax and Superannuation Report

Highlights from 2026-2027 Federal Budget

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2026–27 Federal Budget Highlights

The Federal Treasurer, Dr Jim Chalmers, handed down the 2026–27 Federal Budget at 7:30pm (AEST) on 12 May 2026.

The government is proposing a tax reform package with 3 parts:

- a "fairer" tax system for workers, first home buyers and future generations
- a "better" tax system for businesses by encouraging investment and innovation, and
- a "simpler and more sustainable" tax system.

Details of the highly anticipated initiatives to improve housing affordability have emerged. While negative gearing for residential property will be limited to new builds from 2027–28, all existing investments made before 7:30pm AEST on 12 May 2026 will be grandfathered.

As for capital gains tax (CGT), the 50% discount will be replaced with cost base indexation from 1 July 2027, with a minimum 30% tax rate on realised gains. This will apply to all CGT assets, including pre-CGT assets, except new builds. It will be prospective, with gains accrued on existing investments prior to 1 July 2027 to retain the 50% discount.

Other notable measures include those relating to discretionary trusts, a new tax offset for working Australians and the gradual reduction of the Fringe Benefits Tax (FBT) discount for affordable electric vehicles. In particular, discretionary trusts will be taxed at 30% from 1 July 2028. With trusts historically not being taxed as separate entities, this measure will have significant implications for individuals and businesses alike.

To ease the cost-of-living pressures, an annual working Australian tax offset of \$250 is proposed for eligible Australian workers. The current FBT discount for affordable electric vehicles will transition to a permanent 25% discount progressively over 3 phases.

The Budget measures are additional to recent developments, including:

- the temporary reduction of excise and excise-equivalent customs duty rates for most fuel products from 1 April 2026 to 30 June 2026
- the release of exposure draft legislation for the instant \$1,000 tax deduction for work-related expenses
- the release of exposure draft legislation for strengthening the foreign CGT regime in Div 855 of ITAA 1997, including the transitional CGT discount for certain renewable energy assets, and
- the release of a consultation paper on options to strengthen the annual superannuation performance test.

The full Budget papers are available at www.budget.gov.au and the Treasury ministers' media releases are available at ministers.treasury.gov.au. The tax, superannuation and related highlights are set out below.



Income tax

- The 50% CGT discount will be replaced with cost base indexation for all CGT assets (except new homes) from 1 July 2027, with a 30% minimum tax on realised gains also applying from that date.
- A minimum tax rate of 30% will be payable by trustees of discretionary trusts from 1 July 2028.

Individuals

- Negative gearing for residential property will be limited to new builds from 1 July 2027, with no change for existing arrangements.
- Each working Australian taxpayer will receive a \$250 Working Australians Tax Offset from the 2027–28 income tax year.
- The Medicare levy low-income thresholds for singles, families, and seniors and pensioners will be increased by 2.9% from 1 July 2025.
- The temporary restrictions on foreign ownership of housing will be extended, and Australia's foreign investment framework will be strengthened.
- The age-based uplift of private health insurance rebate (the PHI rebate) will be removed from 1 April 2027.
- Payment of the full rate of pension supplement will be extended from 6 weeks to 12 weeks for recipients who are temporarily absent from Australia.
- The pension supplement will cease for those who are residing permanently overseas or who are temporarily absent for more than 12 weeks.

Business

- Australia will transition to a permanent 25% discount on FBT for certain electric vehicles.
- The instant asset write-off of \$20,000 for small businesses applying the simplified depreciation rules has been extended permanently.
- Companies with up to \$1 billion in turnover will be eligible to carry back tax losses for up to 2 years from 1 July 2026.
- Small start-ups in their first 2 years of operation will be able to get a refund for tax losses capped to the value of tax remittances relating to employment from 1 July 2028.
- Reforms have been announced to the R&D tax incentive from 1 July 2028 as part of the government's response to the Ambitious Australia: Strategic Examination of Research and Development Final Report.
- The venture capital limited partnership (VCLP) and early stage venture capital limited partnership (ESVCLP) tax incentives will be expanded from 1 July 2027. The eligible venture capital investor program will be closed to new applications from 12 May 2026 7:30pm (AEST).
- The global and domestic minimum tax legislation will be amended from 1 January 2026 to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026.

Not-for-profit

- Deductible gift recipients list to be updated.

GST and other indirect taxes

- Access to refunds of indirect tax under the Indirect Tax Concession Scheme has been extended.
- More nuisance tariffs will be abolished from 1 July 2026.
- The duty exemption for goods imported from Ukraine will be extended for a further 2 years to 3 July 2028.
- Funding will be provided, and measures will be introduced to combat the illicit tobacco market.



Tax administration

- Access to monthly reporting and payments as well as dynamic PAYG instalment calculations will be expanded for small and medium businesses from 1 July 2027.
- Funding will be provided, and measures will be introduced, to protect and strengthen the tax system against fraud
- Funding will be provided from 2026–27 to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes.
- Funding will be provided to the ATO and other government organisations from 2026–27 to meet the government's commitments under the *Digital ID Act 2024* and maintain the security and reliability of the government's Digital ID System.
- Funding will be provided over 2 years from 2026–27 to streamline regulatory systems and secure access to data, including the synchronisation of director information, uplifting ABN authentication and completing the transition of ABN and superannuation lookup functions to the ATO. Legislation will also be introduced to improve regulation in the financial sector.
- Funding will be provided from 2026–27 to address systems abuse in the child support scheme. This includes improving the accuracy of child support assessments by strengthening tax lodgment enforcement, extending Single Touch Payroll data sharing and expanding the use of employer withholding to ensure more child support is paid in full and on time.
- Reforms to harmonise state payroll tax administration frameworks will be explored as part of the government's national competition policy (NCP).



Income Tax

CGT discount to be replaced with cost base indexation for all CGT assets from July 2027

From 1 July 2027, the 50% capital gains discount (CGT discount) will be replaced with cost base indexation for assets held for more than 12 months, with a 30% minimum tax on net capital gains applying from that date. This will apply to all CGT assets except new homes, including pre-CGT assets, held by individuals, trusts and partnerships.

Cost base indexation, which was replaced in September 1999 with the CGT discount, works by adjusting the cost base of the relevant CGT asset. Broadly, the expenditure incurred for each element of the cost base of the asset (except for the third element dealing with non-capital costs of ownership) is indexed by multiplying it by the relevant indexation factor. The resulting adjusted cost base is then used to calculate the net capital gain when a CGT event is triggered.

The measure essentially restores the taxation of CGT assets by applying inflation-adjusted indexation based on the Consumer Price Index (CPI) to tax real gains. Indexation will be calculated using CPI similar to the pre-September 1999 method. The ATO will provide guidance and tools to support taxpayers calculating this adjustment.

Importantly, a minimum tax of 30% will be applicable to realised capital gains accrued from 1 July 2027, after indexation has been applied.

Transitional arrangements will apply to existing investments. Existing assets purchased and sold before 1 July 2027 will still be eligible for the CGT discount. The CGT discount will also continue to apply to gains accrued until 1 July 2027 for assets purchased prior to that date, regardless of when the actual CGT event is triggered. The difference will be calculated by reference to the difference in the asset's cost base and its value as at 1 July 2027. Indexation and the minimum 30% tax will be used to calculate CGT on gains accruing from 1 July 2027 (using the asset's value at 1 July 2027 as the asset's cost base).

An asset's value at 1 July 2027 will be determined by taxpayers as part of their tax return in the year the asset is realised. Taxpayers can either:

- seek a valuation of the asset as at 1 July 2027, which will include using quoted prices for assets such as shares, or
- use a specified apportionment formula that estimates the asset's value on 1 July 2027, based on its growth rate over the asset's holding period. The ATO will provide tools to estimate this value for taxpayers.

These transitional arrangements also apply to legacy assets, including pre-CGT assets. Capital gains arising on pre-CGT assets before 1 July 2027 will remain exempt from CGT.

Owners of new builds will be able to choose either the CGT discount or cost base indexation (with the 30% minimum tax still applicable). New builds include dwellings constructed on vacant land, or where existing properties are demolished and replaced with a greater number of dwellings. Knock down rebuilds or substantial renovations are not considered new builds and therefore will not be eligible. A new build cannot have been previously sold, unless first owned by the builder and not occupied for more than 12 months.

Income support payment recipients (including Age Pension and JobSeeker payment recipients) will be exempt from the 30% minimum tax if they receive payment in the financial year in which they realise the capital gain.

Source: Budget Paper No 2, p 21; Prime Minister, Treasurer and Minister for Finance, Tax reform for workers, businesses and future generations [joint press release], Tax Explainer – Negative gearing and capital gains tax reform, 12 May 2026.



Individuals

Negative gearing restricted to new builds from July 2027

Negative gearing for residential property will be limited to new builds from 1 July 2027.

Broadly, where net losses arise as a result of deductible expenses associated with income-producing property exceeding the income earned from that property, negative gearing allows for this resulting net loss to be offset against other assessable income of the taxpayer.

Under the new measures, negative gearing will be limited to eligible new builds only. This means that investors in new builds will still be able to deduct rental losses against other assessable income, such as their salary. New builds include dwellings constructed on vacant land, or where existing properties are demolished and replaced with a greater number of dwellings.

Knock-down rebuilds or substantial renovations are not considered new builds and therefore will not be eligible for negative gearing.

A new build cannot have been previously sold, unless first owned by the builder and not occupied for more than 12 months.

The measure will apply to individuals, partnerships and most trusts. Widely-held trusts (eg most managed investment trusts) and superannuation funds (including self-managed superannuation funds) will be excluded.

Losses incurred from established residential properties will only be deductible against rental income or capital gains arising from residential properties. Any excess losses will be able to be carried forward and offset against income from residential property in future years.

These changes will apply to any established residential properties acquired from 7:30pm (AEST) on 12 May 2026. Any residential properties acquired prior to this time (including any contracts entered into but not settled) will be grandfathered, and will therefore be exempt from the changes until disposed of.

Residential properties acquired between 7:30pm (AEST) on 12 May 2026 and 30 June 2027 may be negatively geared during this period, but not from 1 July 2027.

Properties held in widely-held trusts and superannuation funds will be excluded from these measures, with exemptions for build-to-rent developments and private investors supporting government housing programs.

Changes to negative gearing only apply to residential properties. Commercial property and other asset classes, such as shares, will remain eligible for negative gearing. Exemptions to negative gearing will also be available for private investors who support government housing programs (through the provision of affordable housing).

Source: Budget Paper No 2, p 21; Prime Minister, Treasurer and Minister for Finance, Tax reform for workers, businesses and future generations [joint press release], Tax Explainer – Negative gearing and capital gains tax reform, 12 May 2026.



New working Australians tax offset from 2027–28

Each working Australian taxpayer will receive a \$250 Working Australians Tax Offset from the 2027–28 income tax year.

From 1 July 2027, the Working Australians Tax Offset (WATO) will provide a permanent annual tax offset for Australians for their income derived from work, such as wages and salaries and the business income of sole traders. It will increase the effective tax-free threshold for income derived from work by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the low income tax offset (LITO)). It will be paid automatically via workers' tax returns at the end of the year.

The offset is in addition to the proposed \$1,000 instant tax deduction for resident individuals who earn income for work from 1 July 2026 and the legislated 2025–26 Budget measure to reduce the personal income tax rates for individuals from 1 July 2026 and 1 July 2027.

Source: Budget Paper No 2, pp 16–17; Prime Minister, Treasurer and Minister of Finance [joint press release] "Tax reform for workers, businesses and future generations", 12 May 2026; Tax explainer – New tax cuts for Australian workers.

Medicare levy low-income thresholds to be increased

The Medicare levy low-income thresholds for singles, families, and seniors and pensioners will be increased by 2.9% from 1 July 2025.

The threshold for singles will be increased from \$27,222 to \$28,011. The family threshold will be increased from \$45,907 to \$47,238. For single seniors and pensioners, the threshold will be increased from \$43,020 to \$44,268. The family threshold for seniors and pensioners will be increased from \$59,886 to \$61,623. The family income thresholds will increase by \$4,338 for each dependent child or student, up from \$4,216.

Source: Budget Paper No 2, p 13.

Restrictions on foreign ownership of housing and strengthening the foreign investment framework

The temporary ban on foreign purchases of established residential dwellings will be extended by 2 years and 3 months until 30 June 2029. The ban, which was announced as a measure in the 2025–26 Budget, was originally implemented for 2 years from 1 April 2025.

Current limited exceptions to the ban for purchases of established dwellings that support housing supply will continue. General exemptions from foreign investment screening will also continue to apply for purchases of established dwellings, including for permanent residents and New Zealand citizens.

Additionally, funding of \$47.5 million over 4 years from 2026–27 (and \$3.9 million per year ongoing) will be provided for the Treasury and the ATO to strengthen and streamline Australia's foreign investment framework, including a new performance target to decide all low-risk applications within 30 days from 1 January 2027, removal of ineffective conditions on existing approvals and reforms to foreign investment laws and the Register of Foreign Ownership of Australian Assets.

Legislation will also be introduced to amend the *Foreign Acquisitions and Takeovers Act 1975*, the *Foreign Acquisitions and Takeovers Regulation 2015* and the *Foreign Acquisitions and Takeovers Fees Imposition Regulations 2020* to implement the foreign investment framework reforms.

Source: Budget Paper No 2, pp 12, 58–59.



Age-based uplift of private health insurance rebate to be removed

The age-based uplift of private health insurance rebate (the PHI rebate) will be removed from 1 April 2027.

This measure will enable a simplified and more equitable distribution of the PHI rebate. Funding of \$3.2 million will be provided over 2 years from 2025–26 for implementation and to undertake consultation on further reforms.

Source: Budget Paper No 2, p 101.

Eligibility for pension supplement to be amended

Eligibility for the pension supplement will be amended, including:

- extending payment of the full rate of pension supplement from 6 weeks to 12 weeks for recipients who are temporarily absent from Australia

ceasing the pension supplement for those recipients who are residing permanently overseas or who are temporarily absent from Australia for longer than 12 weeks.

Source: Budget Paper No 2, p 137.

Business

Transitioning to a permanent 25% FBT discount for certain electric vehicles

Australia will transition to a permanent 25% discount on FBT for certain electric vehicles (EVs).

From 1 April 2029, a permanent 25% discount on FBT will be available for all electric cars valued up to and including the fuel-efficient luxury car tax (LCT) threshold, implemented through a 15% rate in the FBT statutory formula.

The following transitional arrangements will be adopted:

- all eligible electric cars will retain the FBT discount rate that was in place when the arrangement commenced
- all electric cars valued up to and including \$75,000 that are provided before 1 April 2029 will continue to be eligible for a 100% discount on FBT, implemented through a 0% rate in the FBT statutory formula, and
- electric cars valued above \$75,000 and up to and including the fuel-efficient LCT threshold that are provided between 1 April 2027 and 1 April 2029 will be eligible for a 25% discount on FBT, implemented through a 15% rate in the FBT statutory formula.

The existing 20% statutory rate will continue to apply for all other cars, including electric cars costing more than the fuel-efficient LCT threshold.

Reportable fringe benefits will continue to be determined for eligible electric cars as if a 20% FBT statutory formula rate or cost basis method applied.

Source: Budget Paper No 2, p 11; Treasurer and Minister for Climate Change and Energy, Fairer tax treatment to encourage affordable EVs, press release, 5 May 2026.



Small business depreciation — instant asset write-off of \$20,000 made permanent

The instant asset write-off threshold of \$20,000 for small businesses applying the simplified depreciation rules has been extended permanently from 1 July 2026.

Small businesses (aggregated annual turnover less than \$10 million) may choose to calculate capital allowances for depreciating assets under a simplified regime in Subdiv 328-D of ITAA 1997. Under these simplified depreciation rules, an immediate write-off applies for low-cost depreciating assets. A \$20,000 threshold currently applies for the immediate write-off, applicable to eligible assets costing less than \$20,000.

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter. The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years if they opt out will be suspended until 30 June 2027.

The measure follows a 2023–24 Budget measure to increase the instant asset write-off threshold to \$20,000 for the 2023–24 income year. The measure was further extended until 30 June 2025 as part of the 2024–25 Budget. Legislation to extend the instant asset write-off for 12 months until 30 June 2026 was passed as part of the *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Act 2025*, which received Royal Assent on 4 December 2025.

Source: Budget Paper No 2, p 20; Treasurer and Minister for Small Business, Backing small businesses with tax relief [joint press release], 12 May 2026.

Permanent 2-year loss carry back rules introduced

From 1 July 2026 companies with aggregated annual global turnover of less than \$1 billion will be able to use their current year tax losses to claim a refund for taxes paid in the prior 2 income years.

The loss carry back tax offset, contained in Div 160 of ITAA 1997, was a temporary measure which applied from the 2019–20 to 2022–23 income years. Broadly, it allowed certain eligible companies to choose to carry back income tax losses incurred in those specific income years and apply them against their taxed profits in a previous income year. The benefit generated by this loss carry back was received in the form of a refundable tax offset (called the loss carry back tax offset). The offset effectively represented the tax that the company would have saved if it had been able to deduct that loss in the earlier year using the loss year tax rate.

The measure essentially re-introduces the loss carry back offset permanently for eligible companies and allows them to carry back tax losses and offset them against taxes paid up to 2 years earlier. The previous measure had been available to companies with an aggregated turnover of less than \$5 billion.

As with the previous temporary measure, the loss carry back tax offset will apply to revenue losses only and will be limited to the company's franking account balance.

The ATO will be responsible for implementing and administering this measure.

Source: Budget Paper No 2, pp 19-20; Prime Minister, Treasurer and Minister for Finance, Tax reform for workers, businesses and future generations, [joint press release], 12 May 2026; Australian Government Small Business Statement.



Loss refundability introduced for small start-ups

Small start-up companies that generate a tax loss in their first 2 years of operation will be able to utilise that loss to generate a refundable tax offset. The measure will apply for tax years commencing on or after 1 July 2028 to start-up companies with aggregated annual turnover of less than \$10 million.

Importantly, the offset will be limited to the value of fringe benefits tax and withholding tax on wages paid in respect of Australian employees in the loss year.

The ATO will be responsible for implementing and administering this measure.

Source: Budget Paper No 2, pp 19-20; Prime Minister, Treasurer and Minister for Finance, Tax reform for workers, businesses and future generations [joint press release], 12 May 2026; Australian Government Small Business Statement.

Reforms to R&D tax incentive announced

The Research and Development (R&D) Tax Incentive will be reformed to make it easier to use, increasing the incentive for new businesses to invest in R&D activities.

From 1 July 2028, the measure proposes to:

- increase the offset for experimental "core" R&D expenditure from 25% to 50% through a 4.5 percentage point increase in core R&D offset rates
- remove the eligibility of supporting R&D expenditure for the R&D tax incentive
- reduce the intensity threshold from 2% to 1.5%, enabling more firms to qualify for higher offset rates
- allow greater access to the highest refundable tax offset for businesses younger than 10 years by increasing the turnover threshold from \$20 million to \$50 million, with an equivalent non-refundable offset available for eligible businesses older than 10 years
- lift the maximum R&D tax incentive expenditure threshold from \$150 million to \$200 million, and
- lift the minimum expenditure threshold from \$20,000 to \$50,000, with smaller R&D projects valued below \$50,000 required to be undertaken with a recognised research organisation to support quality research outcomes.

The ATO will be responsible for implementing and administering this measure.

The measure forms part of the first stage of the government's response to the Ambitious Australia: Strategic Examination of Research and Development Final Report (Report). The Report, which was released on 17 March 2026 by an independent panel and commissioned by the government as part of the 2024–25 Budget, provides 20 recommendations to reform Australia's R&D system and strengthen national capability.

Source: Budget Paper No 2, p 17-18; Treasurer and Minister for Industry and Innovation, A budget that backs innovation and investment [joint press release], 12 May 2026.

Venture capital tax incentives to be expanded

The venture capital limited partnership (VCLP) and early stage venture capital limited partnership (ESVCLP) tax incentives will be expanded from 1 July 2027. The eligible venture capital investor program will be closed to new applications from 12 May 2026 7:30pm (AEST).

From 1 July 2027:

- the VCLP cap on the asset size of the investee business at the time of investment will be increased from \$250 million to \$480 million
- the ESVCLP cap on the asset size of the investee business at the time of investment will be increased from \$50 million to \$80 million
- the ESVCLP tax incentive cap on the asset size of the investee business, at which investment returns can be fully tax exempt, will be increased from \$250 million to \$420 million, and
- the maximum fund size of ESVCLPs will be increased from \$200 million to \$270 million.



The increases will apply to new and existing funds and to new investments they make, including where funds make further investments in businesses already held. ESVCLPs must remain in compliance with their existing investment plans or seek approval for a replacement plan.

This measure forms part of the first stage of the government's response to the *Ambitious Australia: Strategic Examination of Research and Development Final Report*.

Source: Budget Paper No 2, p 18–19.

OECD Pillar 2 side-by-side package to be implemented

The global and domestic minimum tax legislation will be amended from 1 January 2026 to implement the side-by-side package agreed by the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting on 5 January 2026.

The global and domestic minimum tax law was implemented in Australia by the *Taxation (Multinational – Global and Domestic Minimum Tax) Act 2024*, in line with Pillar Two of the Two-Pillar Solution of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) (the Inclusive Framework) to address tax challenges arising from the digitalisation of the economy.

The Inclusive Framework agreed to a side-by-side package on 5 January 2026 that included the following 5 key components:

- a series of simplification measures to reduce compliance burdens for multinational enterprises (MNEs) and tax authorities in calculating and reporting under the global minimum tax rules
- introduction of a new targeted substance-based tax incentive safe harbour to align the treatment of tax incentives globally
- new safe harbours for MNE groups having an ultimate parent entity located in an eligible jurisdiction that meets minimum taxation requirements
- an evidence-based stocktake process to ensure a level playing field is maintained for all Inclusive Framework members, and
- reinforcement of the objective that qualified domestic minimum top-up tax regimes remain a primary mechanism in the global minimum tax framework for ensuring the protection of local tax bases, particularly in developing countries.

Australian legislation will be amended to implement the side-by-side package from 1 January 2026 to ensure Australia's global minimum tax rules are consistent with those of other implementing jurisdictions.

Source: Budget Paper No 2, p 12.

Not-for-profit

Deductible gift recipients list to be updated

The list of specifically listed deductible gift recipients (DGRs) will be updated to list the following organisations as DGRs for gifts received after 30 June 2026 and before 1 July 2031:

- CEW Bean Foundation
- Council of First Nations Ltd
- Hakoah Club Ltd (for gifts received after 30 June 2025 and subject to maintaining tax exempt status as a not-for-profit sporting organisation)
- Jewish Education Foundation (Vic) Ltd
- Sydney Harbour Federation Trust
- Sydney Harbour Foundation Limited, and
- Virtual War Memorial Limited.



The Jewish Community Foundation and Australian Jewish Funders have been named in a ministerial declaration, enabling them to seek DGR endorsement as community charities with the ATO and provide relief to the Jewish community in the aftermath of the terrorist attack at Bondi Beach on 14 December 2025.

Further, the ministerial declaration requirement will be removed from the community charity DGR process, reducing red tape for eligible community charities by removing a step in the endorsement process.

Source: Budget Paper No 2, p 15-16.

GST and other indirect taxes

Extending access to refunds of indirect taxes under the Indirect Tax Concession Scheme

Access to refunds of indirect tax (including GST, fuel and alcohol taxes) under the Indirect Tax Concession Scheme (ITCS) has been extended. New access to refunds has been provided to the European Union, Italy and Chile relating to the construction and renovation of their current and future diplomatic missions and consular posts. Tuvalu will also have ITCS access extended to its High Commission, current and future consular posts and applicable accredited staff.

Source: Budget Paper No 2, p 13.

More nuisance tariffs to be abolished

Building on the removal of 457 nuisance tariffs in July 2024, a second tranche of 497 nuisance tariffs will be abolished from 1 July 2026.

This measure will eliminate tariffs on a wide range of imported goods including wine glasses, tyres, air conditioners, margarine and bitumen.

This measure builds on the "Enhancing Productivity – abolishing nuisance tariffs" measure from the 2024–25 Budget.

Source: Budget Paper No 2, p 7.

Extending the duty exemption for goods imported from Ukraine

The duty exemption for goods imported from Ukraine will be extended for a further 2 years to 3 July 2028. The measure applies a "free" rate of duty to all goods that Ukraine produces or manufactures, except for excise-equivalent goods, such as certain alcohol, fuel, tobacco and petroleum products, which will remain subject to excise-equivalent customs duty.

The measure builds on the 2023–24 MYEFO and 2024–25 Budget measures titled "Support for Ukraine – extending duty free access for goods imported from Ukraine".

Source: Budget Paper No 2, p 9.

Combatting the illicit tobacco market

Funding will be provided, and measures will be introduced to combat the illicit tobacco market.

Funding of \$20.3 million will be provided by the government over 4 years from 2026–27 to combat the illicit tobacco market. It includes:

- \$14.0 million of additional funding in 2026–27 to boost state and territory compliance and enforcement capabilities to disrupt the illicit tobacco market, including transport, storage and disposal of seized illicit tobacco and e-cigarettes
- \$5.2 million over 4 years from 2026–27 to undertake regular data collection, analysis and monitoring to understand nicotine and tobacco product use and markets

- \$1.1 million in 2026–27 to meet Australia's international tobacco control obligations, including support for Pacific partners.

Through amendments to Treasury and Home Affairs portfolio legislation the government will strengthen and enhance law enforcement powers to investigate illicit tobacco-related offending. These include increased monetary and imprisonment penalties for illicit tobacco offences, nationally consistent protective order power for restraining order applications, and expanded law enforcement powers to target proceeds of crime, unexplained wealth and tainted property.

This measure builds on the "Illicit Tobacco Compliance and Enforcement Package – direct and targeted enforcement to counter profits from illicit tobacco" measure from the 2025–26 Budget.

Source: Budget Paper No 2, p 115.

Tax administration

Access to monthly business tax payments and dynamic calculations for small and medium businesses

Small and medium businesses will be able to choose to report and make business tax payments monthly from 1 July 2027. These businesses will also be able to use an ATO-approved calculation embedded in accounting software to dynamically calculate and vary their PAYG instalments on a monthly basis.

Interest charges levied on businesses that accidentally get their instalment variation incorrect when using ATO-approved calculators will be removed by the ATO.

Monthly reporting and payment of PAYG instalments will be mandatory for taxpayers with a demonstrated history of non-compliance.

The ATO will be provided funding by the government to allow for expansion of the dynamic instalment calculation pilot.

Source: Budget Paper No 2, p 20; Prime Minister, Treasurer and Minister for Finance, Tax reform for workers, businesses and future generations, [joint press release], 12 May 2026; Factsheet: Backing small business to grow, compete and build resilience.

Protecting and strengthening the tax system against fraud

The government will provide funding of \$86.3 million over 4 years from 1 July 2026 and \$9.7 million per year ongoing from 2030–31 to deliver Phase 2 of the Counter Fraud Strategy to modernise the prevention and detection of fraud in the tax and superannuation systems.

The proposal will enhance the ATO's ability to detect and prevent fraud in real time, provide additional fraud protections for individuals and expand live monitoring of fraudulent account access to tax agents, business and for high-risk superannuation changes.

The ATO's ability to combat fraud by tax agents and other intermediaries will also be strengthened. The ATO will be given powers to pause the recovery of tax debts of taxpayers who are victims of fraud by tax intermediaries, and waive those debts in appropriate circumstances, and to recover the debts from the tax intermediaries. Existing garnishee powers will also be expanded to include jointly held assets in circumstances where such arrangements are being used to frustrate recovery actions.

Further targeted exceptions to tax secrecy and enhancements to tax regulators' information-gathering powers to support integrity, compliance and effective administration of the tax system will also be progressed.

The ATO will also undertake additional targeted compliance activities over the 2 years from 2026–27 to further address fraud in the system, including in relation to the R&D Tax Incentive.



Source: Budget Paper No 2, p 14.

Governance of managed investment schemes to be strengthened

Funding will be provided from 2026–27 to strengthen governance requirements, supervision and enforcement in relation to managed investment schemes.

In particular:

- \$10.3 million will be provided in 2026–27 for ASIC to enhance its ability to utilise data in its supervision of the managed investment scheme (MIS) sector
- \$7.6 million will be provided over 4 years from 2026–27 (and \$1.4 million per year ongoing) for ASIC, the Office of the Australian Auditing and Assurance Standards Board and the Treasury to strengthen governance requirements for MISs.

The government will also consult publicly on new data collection powers in relation to MISs.

Source: Budget Paper No 2, pp 143–144.

Maintaining government's Digital ID system

Funding will be provided to the ATO and other government organisations from 2026–27 to meet the government's commitments under the *Digital ID Act 2024* and maintain the security and reliability of the government's Digital ID System.

In particular, \$357.4 million will be provided to the ATO over 4 years from 2026–27 (and \$92.0 million per year ongoing) to maintain operation of myID and the Relationship Authorisation Manager, including implementation of additional security controls and functionality.

Other funding initiatives include:

- \$8.0 million over 4 years from 2026–27 (and \$2.0 million per year ongoing) to the Department of the Treasury to continue to support the Digital ID Data Standards Chair to develop and maintain data standards
- \$135.2 million over 4 years from 2026–27 (and \$35.2 million per year ongoing) to Services Australia to continue its role as the Australian Government Digital ID System Administrator and maintain the operation of the Digital ID Exchange and myGov LinkID
- \$98.0 million over 4 years from 2026–27 (and \$25.5 million per year ongoing) to the Australian Competition and Consumer Commission to continue Digital ID regulatory functions
- \$30.8 million over 4 years from 2026–27 (and \$5.7 million per year ongoing) to the Department of Finance to continue policy leadership and governance of the Digital ID program
- \$22.2 million over 4 years from 2026–27 (and \$5.7 million per year ongoing) to the Office of the Australian Information Commissioner to continue to provide privacy oversight under the Digital ID legislation and Identity Verification Service programs
- \$2.7 million over 4 years from 2026–27 (and \$0.7 million per year ongoing) to the Australian Security Intelligence Organisation to provide security assessments of entities seeking accreditation or participation in the Australian Government Digital ID System.

This measure builds on the 2024–25 Budget measure titled *Digital ID*.

Source: Budget Paper No 2, pp 86–87.



Streamlining regulatory systems

Funding will be provided over 2 years from 2026–27 to streamline regulatory systems and secure access to data. Legislation will also be introduced to improve regulation in the financial sector.

Funding initiatives will be provided to streamline regulator systems and secure access to data. These include:

- \$136.1 million over 2 years from 2026–27 to complete the second tranche of stabilisation and uplift of Australia's business registers, including synchronising director information with the Australian Charities and Not-for Profits Commission's Charities Register, linking Director IDs to the Companies Register, uplifting Australian Business Number (ABN) authentication and completing the transition of ABN and superannuation lookup functions to the ATO
- \$62.0 million over 2 years from 2026–27 to extend the operation and participation in the Consumer Data Right to continue supporting Australian consumers and businesses and to explore the potential to enable taxpayers to share certain ATO-held data through the Consumer Data Right.

Legislation will also be introduced to modernise, simplify and improve regulation in the financial sector to reduce unnecessary reporting and disclosure requirements and simplify financial system frameworks.

For superannuation, ASIC instruments will be legislated to address unnecessary disclosure requirements and to align portfolio holdings disclosure obligations for internally managed private debt with externally managed private debt.

The government's modernising business communications agenda will be strengthened. This includes updating laws that may prevent businesses from keeping records electronically, allowing ASIC to update forms to streamline communication with businesses and individuals, and allowing the Australian Small Business and Family Enterprise Ombudsman to better use technology to communicate with the public. This will give businesses greater flexibility in meeting their record-keeping obligations under the superannuation and corporations laws.

In addition, administrative burden from the financial accountability regime will be reduced. Routine and low-value notifications by regulated entities will be reduced by not requiring reporting of accountability statements and maps, removing the need to report low-value breaches, providing more time to register accountable persons, and aligning terminology and timing.

This measure builds on the 2025–26 Budget measure titled *Treasury Portfolio – additional resourcing*.

Source: Budget Paper No 2, pp 139–140; Budget Factsheet – Whole-of-Government Regulatory Reform Agenda.



Addressing systems abuse in child support scheme

Funding will be provided from 2026–27 to address systems abuse in the child support scheme. This includes improving the accuracy of child support assessments by strengthening tax lodgment enforcement, extending Single Touch Payroll data sharing and expanding the use of employer withholding to ensure more child support is paid in full and on time.

Relevant funding initiatives include:

- \$39.6 million over 4 years from 2026–27 (and a \$2.1 million per year save ongoing) to ensure more child support is paid in full and on time by expanding the use of employer withholding and enabling faster disbursements of payments to child support recipients through legislative and system changes
- \$22.0 million over 4 years from 2026–27 (and \$0.6 million per year ongoing) to improve the accuracy of child support assessments by strengthening tax lodgment enforcement, extending Single Touch Payroll data sharing arrangements, and improving Australia's international child support arrangements, and
- \$18.4 million over 4 years from 2026–27 (and \$2.6 million per year ongoing) to increase the use of Departure Prohibition Orders to recover child support debts from payer parents with large arrears.

This measure supports the government's 2025 election commitment to address financial abuse in Commonwealth systems and supports implementation of Working for Women: A Strategy for Gender Equality.

Source: Budget Paper No 2, p 136.

Options to harmonise payroll tax administration

Reforms to harmonise state payroll tax administration frameworks will be explored as part of the government's national competition policy (NCP), in its efforts to boost productivity and reduce red tape.

Source: Budget Factsheet — Whole-of-Government Regulatory Reform Agenda, p 5; Budget Factsheet — Productivity Package, p 2.